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IN THE

# Supreme Court of the United States

**OCTOBER TERM, 1920**

**No. 171**

STARK BROS. NURSERIES & ORCHARDS COMPANY,

Petitioner,

vs.

WILLIAM P. STARK and WILLIAM H. STARK, Trustees, Doing Business under Name and Style of William P. Stark Nurseries,

Respondents.

**Certiorari to the Circuit Court of Appeals for the Eighth Circuit.**

## Brief and Argument for the Petitioner

### STATEMENT.

This suit was instituted by the petitioner, Stark Bros. Nurseries and Orchards Company, in the United

States District Court for the Southwestern Division of the Western District of Missouri, to enjoin the infringement of a trade-mark and unfair methods of competition in the business to which the trade-mark is attached, viz., the propagation, growing and sale of fruit trees.

## PETITIONER'S CASE.

Petitioner is the grower and seller of the nursery products Stark Trees.

The name Stark Trees is registered as a trade-mark under the Act of Congress of February 20, 1905. This registration is, and always has been since it was issued, the sole property of petitioner Stark Bros. Nurseries & Orchards Company.

The name Stark Trees for a quarter of a century has meant and designated exclusively the product of the petitioner, and the name Stark has been associated with the nursery business for a century.

Petitioner's case is based upon the fraudulent and infringing use by respondents of a colorable imitation of the trade-mark Stark Trees and name Stark in the nursery business.

## RESPONDENT'S DEFENSE.

Respondents by answer deny right and title of petitioner to the trade-mark Stark Trees and the name Stark; deny infringement of trade-mark and acts of unfairly using the name Stark charged against them, and jurisdiction.

## THE EVIDENCE.

The record shows, and the answer admits, that petitioner, through its predecessors, has used the name Stark in the nursery business since the year 1816. In fact, the name Stark for generations has been associated with petitioner's products, as is indicated by the widely published advertisement prepared under the supervision of respondent W. P. Stark in 1910, when he was an officer and employe of petitioner. This advertisement reads:

> "If you buy Stark Trees you are just as sure of sterling quality as the silver buyer is of his silver. For three-quarters of a century the word 'Stark' has stood for all that is good in nursery stock. Tree planters the world over regard the word 'Stark' as synonymous with quality trees * * * " (Rec., p. 51; Ex. 40.)

In addition to the common-law rights claimed by petitioner to the name Stark and Stark Trees, petitioner, on June 24, 1913, was granted registration of the trade-mark Stark Trees by the Patent Office under the ten-year clause of the Act of 1905. Petitioner has used this trade-mark in stencil and label form on interstate shipments of trees continuously from the year 1893 to the present time (Rec., pp. 26, 51, 56, 57, 58).

This trade-mark, as early as 1898, was featured in advertising covering the whole country and in succeeding years (Rec., p. 85, Ex. X177; E. W. S. Exs. 25, 26). The record shows that since 1893 thousands of orders have been shipped bearing the trade-mark Stark Trees to various points of the country, and

many times the trees were retailed out of boxes bearing the identifying mark, Stark Trees (Rec., p. 28).

Then came respondents with this trade-mark (Rec., p. 200, Ex. "C") and put it not only on labels attached to trees that were sold, but printed an exact reproduction of the label in extensive advertising (E. W. S., Ex. 39), and ran a similar cut of the trade-mark prominently at the top of each and every page of their catalogue for several years (E. W. S., Exs. 15-16).

On August 26, 1916, petitioner's attorney wrote defendants specifically about this infringing trade-mark (E. W. S., Ex. 28), but no reply was received, whereupon petitioner brought suit on September 11, 1916, and after suit was brought respondents continued to use and advertise the infringing mark (R., p. 67, Ex. Z2). In fact, respondents admitted that they continued for some time after the suit was filed to use and advertise the labels bearing the infringing trade-mark (Rec., p. 116).

Now, to adequately show respondents' extensive unfair competition underlying this case, which is intertwined and really inseparable from the trade-mark infringement aspects of the case, we feel it practically necessary to briefly review the history of the respondents, Wm. P. Stark and Wm. H. Stark, as disclosed throughout the record.

About the year 1880, William Stark died, leaving his almost insolvent nursery to his three sons, C. M., E. W. and W. P. Stark. C. M. and E. W. Stark formed the firm of Stark & Co., put in their own money, paid off the father's debts, kept W. P. Stark in school, and,

several years later, when W. P. Stark became of age, he was taken in the firm as full partner. Thereafter W. P. Stark was an active man in the office of the firm and the succeeding corporations, and his name became quite well known to petitioner's customers and prospective customers.

In 1909, then owning about $300,000.00 of the $1,000,000.00 capital stock of the petitioner company, W. P. Stark tried to gain control of petitioner company, but to no avail. Again, in 1910, he tried to get control of petitioner company by suggesting to E. W. Stark a deal whereby the other interests would be eliminated. These different attempts to get control of the petitioner company failed. So in the spring of 1911 W. P. Stark, his son, W. H. Stark, and son-in-law, E. M. Wilson, made demands for exorbitant salaries and a stranglehold on the offices, and, failing, resigned. In September W. P. and W. H. Stark, leading the company to believe all differences and friction had been eliminated, came back to the petitioner company in their old positions.

A few days after his return to the petitioner company W. P. Stark was sent East for the company to see a man named Hale about a valuable peach which the company had been corresponding about, and briefly, W. P. Stark later made a contract with Hale about this peach in his own name. Such actions, of course, opened up new friction, and many of W. P. Stark's actions after that visit to Hale indicate that he was secretly planning to either get control of petitioner company and introduce the valuable peach or start a competing nursery of a similar name and con-

trol the new Hale peach, which petitioner had sent him East to procure for the company (R., pp. 33, 34, 35).

Whereupon, in June, 1912, the William Stark Nurseries, backed by W. P. Stark (R., p. 163), and managed by his son, W. H. Stark, were announced with the address of Louisiana, Mo., the home of the old Stark Nurseries for almost a century, while W. P. Stark was still actively connected with the petitioner company. Naturally much confusion of mail matter followed and upon complaint to the postal department and a hearing, the department held that there was clearly an attempt on the part of the Wm. Stark Nursery to get mail of an established concern (R., p. 37; Ganss Ex. X-1, R., p. 71). The effect of this ruling caused the Wm. Stark Nurseries to get out of Louisiana, Mo., moving their offices to a little town named Chester, and changing the name of their concern to William P. Stark Nurseries. Soon after the removal, the town Chester was changed to Stark City and widely advertised, in spite of the fact that the real offices of W. P. Stark Nurseries were at Neosho, Mo., some ten miles away. It has been positively shown by respondents' own testimony that W. H. Stark engineered the securing of this Stark City address while he was still on the payroll of the petitioner company (R., pp. 132, 133, 134).

This evidence impelled the trial court to emphatically say that:

> "The testimony of the defendants with respect to this incident was most unsatisfactory, and it

> was apparent to the court that the change of name was brought about at their instance and for the purpose charged in the bill (R., p. 190).

In fact, the record abounds with facts which should indicate to any unbiased mind that W. P. Stark and his son and follower, W. H. Stark, long before leaving petitioner company deliberately planned the foundation of a competing nursery of similar name, with the view of launching their business at the expense of the old petitioner company, well knowing that they could confuse a great number of petitioner's customers and prospective customers into buying from the new nursery, in the belief that they were doing business with the old petitioner company.

It does not take any stretch of imagination to conclude why W. P. Stark unduly familiarized his name and his son's name in petitioner's Planting Book (E. W. S., Ex. 4-5), and in the Year Book of 1910 and 1911 (E. W. S., Ex. 6, 7, 8, 9, 11), or why W. P. Stark, while he was with petitioner company, prepared extensively circulated advertisements featuring the addresses Stark and Starkdale (E. W. S., Ex. 12, A, B, C, D, E, F and 23). W. P. Stark undoubtedly knew that mail had been coming to the petitioner company addressed Starkdale, Stark Station, and Stark, Mo.

Did not the trial court find that,

> "Those names were used in advertising to distinguish and localize complainant's business. The adoption of so similar a name as Stark City by defendants was obviously intended to introduce another element of confusion in the public mind." (R., p. 190)?

It is shown that W. P. Stark, while still with petitioner company, joined the other officials, particularly in the spring of 1911, to secure a Stark City or Stark address (R., p. 38).

Then in petitioner's Year Book of 1910 (E. W. S., Ex. 6, p. 115) prepared under the direction of W. P. Stark, the following appeared: "We refer the reader to our Special Service Department, which is in charge of men of long practical training, and who, in turn, are under the personal supervision of our Mr. W. P. Stark", and in petitioner's Year Book of 1911—just about the time that W. P. Stark undoubtedly was planning on starting a rival nursery bearing the name Stark—also prepared by W. P. Stark appeared this statement (E. W. S., Ex. 7, p. 15): "Commercial orchardists will be interested in our co-operative plan for the commercial planting of Liveland raspberry. Full information will be sent on request, which should be addressed to Mr. W. P. Stark personally." W. P. and W. H. Stark, about this time, prominently advertised their names in petitioner's big advertisement in the Fruit Grower (E. W. S., Ex. 8).

When it is considered that many thousands of these books and advertisements were disseminated it seems reasonable to contend that W. P. and W. H. Stark voluntarily, but against the protests of the president (R., pp. 32, 33), so connected their names with that of petitioner company as to amount to selling their names to petitioner, or, in fact, to preclude them from afterwards using their names in a rival business.

We repeat, we do not comprehend how we can otherwise contend but that the entire conception of the respondents' nurseries were steeped in fraud of the direst and brazonest sort, which ought to shock judicial sensibilities.

We do not wish to write the whole record into this brief, but we feel that it would be slighting petitioner's cause if we did not dwell on the following statements published in catalogues and publications by respondents, almost immediately after their fraudulent beginning, with the view of securing the benefits of petitioner's long enjoyed use of the name **Stark:**

> "The name of 'Stark' has for nearly a century been associated with the nursery business of America, and for the last quarter of a century William P. Stark has made the name a sort of a trade-mark for big things in the nursery world. Now, with William P. Stark's great name and life-long experience to direct affairs, and William H. to assist, the William P. Stark Nurseries are in a better position than ever to continue and broaden the Stark Nursery business in Missouri at their Stark City plant" (R., pp. 38, 39, Exs. 14-15-16).

This statement appeared in respondents' catalogues for several successive years, and similar statements appeared in publications such as the "Country Gentleman", a magazine of large circulation (E. W. S., p. 39, Ex. 17). Then another confusing and deceptive statement about the Stark identity appeared in respondents' year book (Ex. X188, pp. 99-100), where it reads:

"Four generations of William Stark nurserymen. The commission men of South Water street looked sideways when William P. Stark commenced over ten years ago to tell us of Delicious, Stayman, Winesap, Black Ben, Liveland Raspberry and others.

"William P. Stark certainly knows what varieties for the commercial grower to plant and what not to plant. Of course, the Starks have been doing just this sort of thing for ninety years or more, so it is no new thing to have the trade come around and back up Stark's judgment, as they have in the case of Delicious, Stayman and others.

"William P. Stark is a real nurseryman and fruit grower. He doesn't pretend to be anything else. Of the four generations of William Starks three are living today, and there was still another generation of Starks before the first William Stark engaged in horticultural work."

Also, in some of these catalogues, for example, Exhibit 14, page 24, this misleading statement appeared:

"The Florence originated with the late Peter Gideon of Minnesota, and was secured for propagation by William P. Stark twenty-six years ago."

Petitioner company, in fact, secured the Florence and those other varieties, and not W. P. Stark (R., p. 38).

For many years, while W. P. Stark was with petitioner, the Delicious apple was widely and expensively advertised as having been introduced by petitioner. In fact, W. P. Stark as treasurer of petitioner

signed the application for registration of Delicious (R., pp. 43-44-45, Ex. 29), and W. P. Stark prepared many advertisements for petitioner dwelling on the rights of the company to this famous apple. So when W. P. Stark started his infringing nursery, in order to make the public believe his nursery was the one that had widely advertised the Delicious, he ran advertisements such as these:

> "Two or three years after this two barrels were shipped to William P. Stark, who was ever on the lookout for something meritorious, and immediately recognizing their superiority, commenced negotiations for their propagation. Only for William P. Stark the Delicious apple might never have been known. It was William P. Stark who came to the rescue, saved the apple and gave it to the pomological world." (Rec., p. 45, Ex. 33).

When these misleading advertisements were run the Wm. P. Stark Nurseries were about a year old (R., p. 45). There were a number of these misleading advertisements about the Delicious, and under pressure from petitioner, respondents agreed in what is known as the Kansas City agreement (Rec., p. 47, Ex. 34) to cease the advertising referring to the ownership or discovery of the Delicious apple, but respondents several years later deliberately broke faith with this agreement, as is evidenced by this advertisement published throughout the country in January, 1917:

> "William P. Stark was the first to recognize the merits of this great apple. He named it 'The Delicious' and had the foresight and courage to

propagate it and to urge growers to plant it." (Rec., p. 50, Ex. 35.)

This deceptive use of the Delicious matter caused the Trial Court to remark:

> "He cannot now draw to himself individual credit therefor to the extent of invading the property rights of complainant and substituting himself for complainant to the confusion of the public."

In addition to a large mail order business, petitioner maintains an organization of about 5,000 salesmen or tree agents, so respondents widely circulated form letters and published advertisements like this: "We have heard of a man in your community who claims to be our agent; he is a fake" (E. W. S., Ex. 21) and "Look out for agents claiming to represent us; they are frauds" (Rec., p. 40, E. W. S. Ex. 22).

It is impossible to determine how much these circulars (which, by the way, strangely seemed to reach every new prospect petitioner's salesmen sent in) hurt the business of petitioner and the morale of the salesmen. However, reference to the record will show that much damage was done to petitioner's salesmen's business because of the confusion caused by these letters and advertisements deliberately disseminated by respondents (Testimony of Salesmen Jamison, Board, Straight, Warwick and Gilmore, Rec., pp. 58-66 inc.).

Another subtle and deceptive method by which respondents damaged petitioner's business is this announcement which appeared, not in the advertising

for inquiries, but in respondents' 1915 catalogue (Def.'s Ex. A, p. 44), which was sent to inquirers:

> "No connection with any other concern. The William P. Stark Nurseries is not connected or related in any way with any other nursery with similar name."

This statement and the one *supra*, "Look out for agents claiming to represent us. He is a fake," in the words of the Trial Court, "so far from absolving defendants from the charge of unwarranted encroachment, in point of fact, under the circumstances revealed by this record, really invite the public to regard the defendants as the original Starks, and all others of similar name as interlopers in the nursery business in Missouri." (R., p. 190.)

The fact that W. P. Stark was owner of about $300,000 of the capital stock of petitioner company and used practically every method of unfair competition to secure petitioner's business, should uphold our contention that he deliberately set out to unfairly compete against petitioner's business with the view in mind of eventually gaining even more than $300,000 advantage of the old petitioner company, and in that event he could well afford to let his holdings in petitioner company be wiped out along with the remaining $700,000 holdings of the other Stark interests in the petitioner company.

It is a significant fact that petitioner's mail order business showed a total loss of sales of $387,349.00 in four years after W. P. Stark's competition as against the four years prior to W. P. Stark's competition

(R., p. 28). And in this connection it is also significant that in a like period petitioner increased its advertising expenditures after respondents started in competition (R., p. 27).

That much damaging confusion has resulted from respondents' deliberate and deceptive use and advertising of the Stark name and address Stark City is evidenced by a large number of letters (Stip. Ex. X2 to X56, Rec. pp. 67 *et seq.*) introduced by petitioner, and also in numerous other letters (P. C. S. Exs.) introduced by petitioner. Not only confusion, but loss of sales intended for plaintiff are evidenced by such letters as the Kershaw letter (P. C. S. Ex. 83-84) wherein the writer, after asking whether petitioner was connected with respondents, further stated: "I sent them a small order last week, thinking I was sending it to you." These exhibits (Stip. and P. C. S.) also show the petitioner company receive letters addressed in every conceivable name and address bearing the name Stark.

These letters, introduced by petitioner, were received by petitioner in due course of business, and were not trumped up or instigated by petitioner, and were introduced simply to show that the public has been confused as to the identity of petitioner and respondents. (Rec., p. 72 *et seq.*)

An inspection of petitioner's other exhibits (P. C. S.), which include advertisements, catalogues, photographs and the like, will show the prominent advertising of petitioner's trade-mark, Stark Trees, petitioner's use of addresses Stark, Starkdale and Stark Station, while W. P. Stark was still with petitioner

company, and W. P. Stark's name and pictures—all published by petitioner, under direction of W. P. Stark, before W. P. Stark opened his rival nursery.

Summing up, a resume of the record surely shows that respondents' entire business was conceived in fraud, and every possible unfair act was deliberately and successfully employed by respondents in undermining petitioner's long enjoyed life and trade-mark.

In fact, the Trial Court, after weighing all of the above evidence, unequivocally found that:

> "There can be no doubt that the defendants for some time prior to the dates on which they severed their actual connection with the complainant company were exploiting their individual names and personalities through the literature of the complainant corporation and otherwise, and were engaging in other activities with the view to setting up a competitive business and of appropriating a portion of the prestige which had been acquired and which was being enjoyed by complainant. Since the establishment of defendants' busines its literature has pointedly aimed at such appropriation of the high reputation of the Stark name in connection with nursery products in Missouri; a reputation acquired by and identified with the complainant in this case. This statement, as well as the ruling of the Court upon the issue of technical trade-mark, is supported and confirmed by the language of defendants themselves taken from their catalogues and advertising matter." (R., p. 188.)

The cause was heard by the United States District Court upon pleadings, proofs, exhibits and arguments by counsel for the respective parties, and thereafter the Court filed an opinion (Rec., p. 186) and a supplemental opinion on settlement of decree (Rec., p. 191), and a decree was entered (Rec., p. 16), decreeing:

> "that the name 'Stark Trees' has been a trade-mark upon fruit trees and nursery products for twenty-five years last past; that on June 24, 1913, said trade-mark was duly registered under the ten-year clause of the Act of Congress of February 20, 1905, in the United States Patent Office, and is a valid and subsisting trade-mark under said Act of Congress.
>
> That the complainant Stark Bros. Nurseries & Orchards Company is, and ever since the year 1891 has been, the exclusive owner of said trade-mark, during all said time has carried on the business at the City of Louisiana in the State of Missouri, of propagating, growing and selling fruit and nursery stock, and during all said time has used upon the boxes and packages containing said fruit trees grown and sold by it a label or stamp bearing the words 'Stark Trees' as a trade-mark.
>
> That the defendants herein, William P. Stark and William H. Stark, Trustees, doing business under the name and style of William P. Stark Nurseries, have infringed upon the said trade-mark, and upon the exclusive rights of the complainant under the same, by selling prior to and since the commencement of this suit fruit trees and nursery stock, to which parcels and packages containing the same said defendants have attached a tag or label bearing in conspicuous printed letters the words, 'Nursery to Orchard. William P. Stark Nurseries, Stark City, Mo.,' together with

the picture of a tree, said name 'Stark' being prominently printed across the picture of the tree, thus plainly suggesting the term 'Stark Trees'; that said label was widely exploited by said defendants in extensive advertising, all in imitation and infringement of the trade-mark 'Stark Trees', as charged in the bill of complaint.

That during a period prior to the actual starting of the nursery now conducted by defendants the complainant had widely featured in its advertising matter the addresses 'Stark, Mo.,' 'Starkdale, Mo.,' and 'Stark Station, Mo.,' all of which was well known to said defendants; that said defendants caused the name of the postoffice of the town of Chester, Missouri, to be changed to Stark City, Missouri, adopted Stark City as an address and extensively advertised said address in their literature and in connection with their business with the intention of misleading the public into the belief that defendants' nursery was that of the original Stark Nursery Company; by such action defendants intended to and did mislead the public, and intended to and did gain an unfair advantage in trade to the injury of the prestige and business of the complainant company.

It is further ordered, adjudged and decreed that by reason of their infringement of said trade-mark 'Stark Trees', and by reason of their wrongful use of the name 'Stark' and the address 'Stark City,' the complainant to recover of the defendants Willitm P. Stark, William H. Stark and the William P. Stark Nurseries all gains and profits which said William P. Stark, William H. Stark and the William P. Stark Nurseries have derived, received or made during the period within which complainant's said trade-mark is shown to have been infringed, beginning with the 11th day of March,

1914, and that said complainant do also recover from said William P. Stark, William H. Stark and the William P. Stark Nurseries any and all damages which complainant has sustained by reason of defendants' infringement and unfair competition from and after the 26th day of August, 1916, on which date complainant gave notice to defendants of the registration of its said trade-mark.

This cause is hereby referred to George A. Neal, Esq., of Kansas City, Missouri, as Master of this court to take and state the accounting of said gains and profits, and to assess such damages and report thereon with all convenient speed, and said defendants are hereby directed and required to attend before said Master by its officers, partners, agents and employes from time to time as required, and to produce before him such books, papers and documents as relate to the matter at issue, and to submit to such oral examination as the Master may require.

Said Master, in the taking of said accounting and ascertaining said damages, may, if he finds it reasonably necessary so to do, employ an expert certified accountant to assist him in taking said accounting and determining said damages, and may further employ a stenographer to take down the evidence, or any part thereof, that may be submitted in this cause, and afterwards transcribe the same, and all reasonable costs and expenses incurred by said Master in the premises shall be taxed as costs against said defendants and recovered as other costs that are authorized to be paid by defendants.

It is further ordered, adjudged and decreed that a perpetual injunction issue out of and under seal of this court enjoining and restraining the defendants William P. Stark and William H. Stark, as

trustees or individually, and the William P. Stark Nurseries, their officers, clerks, attorneys, agents, servants, workmen and all persons claiming or holding under or through them, from the direct or indirect use of the infringing label charged or any colorable imitation of complainant's trade-mark in suit, from putting the word 'Stark' prominently at the top of its labels, or elsewhere in connection with the business of producing, advertising and selling nursery stock, in such manner as will not unmistakably differentiate their goods and advertisements from those of the complainant's, and from using the name or address 'Stark City' upon their labels or tags attached to nursery stock or packages containing the same or from using the address 'Stark City' in advertising their business and wares.

It is further ordered, adjudged and decreed that the complainant recover of the defendants its costs of this action taxed in the sum of_____Dollars."

On appeal of the case the respondents filed eighteen assignments of error (Rec., pp. 18-21).

The Circuit Court of Appeals delivered an opinion in which it agreed with the trial court that respondents were unqualifiedly guilty of infringing petitioner's registered, valid trade-mark and the grossest unfair competition in the use and advertising of the name Stark; and summed up this part of its opinion by saying, "The Court committed no error in granting the injunction * * *" (Rec., p. 203), with directions, however, as to how and in what manner respondents could use the name Stark.

The Court also said:

"But we are of the opinion that there was error in decreeing that Appellee recover all gains and profits which Appellants have derived or received by reason of the infringement of Appellee's trade-mark, beginning March 11, 1914."

"Section 28 of the Trade-Mark Act of February 20, 1905, 33 Sts. 730, par. 9514, U. S. Comp. St. 1916, after prescribing that notice of the registration of the mark be given by affixing on the mark or label the words 'Reg. U. S. Pat. Off.,' which was not done by Appellee, provides: 'And in any suit for infringement by a party failing so to give notice of registration no damages shall be recovered, except on proof that the defendant was duly notified of infringement, and continued the same after such notice.' As no notice was given by Appellee to Appellants of infringement of the registered trade-mark, although the words required by the statute were not printed on its trade-mark labels, until a few days before the institution of this action, no damages under this Act can be recovered for infringement of the registered trade-mark before that time in this action."

The Court of Appeals also held that

"as the jurisdiction of the court below depended solely on the fact that there was a federal question by reason of the registration of the trade-mark under the Act of Congress, there being no diversity of citizenship, there can be no liability on the charge of unfair competition prior to the notice under the Trade-Mark Act. To entitle one to recover in such a case the unfair competition must be a part of the same transaction, to-wit:

a violation of the Act of Congress, and liability thereunder. It must be an aggravation of the infringement of the registered trade-mark, to give the Court jurisdiction to award damages."

"In the case at bar the unfair competition only became a part of the same transaction as the infringement of the registered trade-mark, after the notice had been given, as Appellee's trade-mark labels had not the words required by the Act of Congress on them—'Reg. U. S. Pat. Off.' Had no notice been given by Appellee it could not have recovered any damages. This was expressly decided by this Court in Rossman v. Garnier, 211 Fed. 401-407, 128 C. C. A. 73-79."

"Gains and profits made before notice was given under the Trade-Mark Act, in the absence of a label bearing the inscription prescribed by the Act of Congress, are independent of the Act of Congress and can only be recovered under the rules established by courts of equity in actions for unfair competition. Such an action cannot be maintained in a national court in the absence of a diversity of citizenship."

The Court further said:

"The decree of the court below will be modified by adding to the injunction clause the words hereinbefore set forth, and that the appellants be charged with gains and profits made by them by reason of the unfair competition arising from the infringement of appellee's registered trade-mark, and the damages, if any, which appellee has sustained by reason thereof since the beginning of the action. The costs of this appeal will be taxed two-thirds to the appellants and one-third to the appellee."

Upon the rulings and decisions of the Court of Appeals, the petitioner filed a petition for rehearing and stated as grounds the reasons that the record abounds with proof that appellants were aware of appellee's rights which were repeatedly asserted, that, notwithstanding, appellee's letter under date of March 11, 1914 (Rec., p. 39) was, as the trial court found, sufficient notice to the appellants under the above quoted section of the statute about constructive notice; that the above referred-to statute simply means that if the owner of a registered trade-mark does not print the notice on the label he cannot recover damages unless he proves not that the infringer was notified of *registration,* but "*of infringement,* and continued the same after *notice.*"

The petition for rehearing was denied without opinion.

## THE PROPOSITIONS.

The propositions presented in the petition for certiorari are:

1. That petitioner was satisfied with the decree of the trial court.

2. That the Court of Appeals erred in holding that the letter of March 11, 1914 (Rec., p. 39), was not sufficient notice—even disregarding the fact that respondents positively knew of petitioner's trade-mark and rights even prior to the inception of their infringing use.

3. The Court erred in holding that "the unfair competition only became a part of the same transaction as the infringement of the registered trade-mark, after the notice had been given, as appellee's trade-mark labels had not the words required by the Act of Congress on them—"Reg. U. S. Patent Office."

4. The Court erred in dating the accounting and damages from the date of filing the suit.

5. The Court erred in *not* holding that—in view of the fact that respondents continued infringing and practicing unfair competition after suit was filed, which surely is unquestionable notice—respondents be ordered to account to petitioner all gains and profits from the beginning of the infringement and unfair competition.

## THE ARGUMENT.

In view of the fact that the trial court and Court of Appeals were agreed that respondents infringed petitioner's registered, valid trade-mark and were guilty of almost every conceivable method of unfairly using the name Stark to their gain and to petitioner's damage and loss, but came to different conclusions as to the interpretation and intended meaning of Section 28 of the Trade-Mark Act of February 20, 1905, we deem it proper and expedient to argue that phase of the case first.

Section 28 of the Trade-Mark Act of February 20, 1905, 33 Stat. 730, par. 7514, U. S. Comp. St. 1916, states:

> "That it shall be the duty of the registrant to give notice to the public that a trade-mark is registered, either by affixing thereon the words 'Registered in U. S. Patent Office,' or abbreviated thus, 'Reg. U. S. Pat. Off.,' or when, from the character or size of the trade-mark, or from its manner of attachment to the article to which it is appropriated, this can not be done, then by affixing a label containing a like notice to the package or receptacle wherein the article or articles are inclosed; and in any suit for infringement by a party failing so to give notice of registration no damages shall be recovered, except on proof that the defendant was duly notified of infringement and continued the same after such notice."

It is admitted that petitioner, following the custom and practice of a great many of the owners of inter-

nationally advertised and used trade-marks, did not put this notice on its labels bearing the registered trade-mark.

The trial court held in its original opinion that "Defendants (respondents) will be required to account to complainant (petitioner) for damages sustained and for profits accruing during the period within which complainant's (petitioner's) trade-mark is shown to have been infringed," and directed a decree prepared accordingly (Rec., p. 191).

Counsel could not agree upon the decree, and in the argument this Sec. 28 of the Trade-Mark Act was set up, whereupon the trial court wrote a Supplemental Memorandum on Settlement of Decree (Rec., p. 191), modifying its original opinion allowing damages and profits during the infringing period (which in fact began with the inception of respondents' business in 1912), and prepared and entered a decree ordering an accounting of profits beginning March 11, 1914, which was the date of a letter of complaint from petitioner to respondents, saying among other things, "we hereby notify you to discontinue the unfair competition and infringement on our rights" (Rec., p. 39).

The Court further said:

> "Again, January 15, 1916, a letter of the same general purport was written by complainant (petitioner) to defendants' (respondents') known attorney. Early in 1916 the matter was taken up with the Federal Trade Commission. Formal notice was again sent in August, 1916, and Mr. E. W. Stark testifies that he wrote other letters and

made other demands intermediately to the same effect. I cannot escape the conclusion that, throughout this period complainant was reiterating its objection to the action of defendants, and that defendants were well aware of the substance of its complaint. Such being the case, I find no such waiver, abandonment or laches as would preclude complainant from substantial recovery, if the same can be made to appear upon accounting."

The trial court limited the petitioner to *damages*, "as distinguished from profits, to the period beginning with the date of this formal notice, to-wit, August 26, 1916," which was a formal letter of specific protest against the infringement and unfair competition, written by petitioner's attorney on August 26, 1916.

The Court of Appeals "decreed that the appellants (respondents) be charged with the gains and profits made by them by reason of the unfair competition arising from the infringement of appellee's (petitioner's) registered trade-mark, and the damages, if any, which appellee has sustained by reason thereof since the beginning of this action."

The beginning of this action was on September 11, 1916, and the formal notice of infringement and threatened suit was sent by registered mail August 26, 1916, about two weeks earlier, but no reply was received.

The Court of Appeals evidently arrived at the date of September 11, 1916, from which to date the accounting and possible damages, because it deemed the date of the formal notice of August 26, 1916, and the

date of filing the suit, September 11, 1916, as being practically simultaneous.

The Court of Appeals seems to have interpreted Section 28 of the Trade-Mark Act as meaning that in the absence of the constructive notice, "Reg. U. S. Pat. Off," on the labels the infringer must be notified of infringement of the *registered* trade-mark, in order to recover damages. What the statute does say is that " • • • in any suit for infringement by a party failing *so* to give notice of registration no damages shall be recovered, except on proof that the defendant was duly notified of *infringement* and continued the same after such notice."

Doubtless this statute was enacted to protect innocent infringers and not deliberate infringers, such as respondents, who positively not only knew of the rights of petitioner, even before they started their concern in 1912, but used every conceivable effort and means to encroach upon petitioner's trade-mark and business.

The Court says that, "Had no notice been given by appellee, it could not have recovered any damages. This was expressly decided by this Court in Rossman v. Garnier, 211 Fed. 401, 407, 128 C. C. A. 73-79." (Rec., p. 204.)

The above remark may or may not be applicable, but, be it as it may, the trial court in comparing the facts of the above case and the present one, said:

> "In Rossman v. Garnier (C. C. A.), 211 Fed. 401, it did not appear that 'in the use of the trade-mark the appellee ever complied with the

requirement that she give notice to the public by affixing thereto the words 'Registered in U. S. Patent Office,' or 'Reg. U. S. Pat. Off.,' nor on a separate label, nor is there any evidence that any notice was ever given appellee of the infringement.

" 'It follows that no damages can be recovered and no use would be subserved by an accounting.'

"In this (Stark) case it must be kept in mind that it has been adjudged that defendants (respondents) with full knowledge of complainant's (petitioner's) rights, the history of its business, the marks employed by it, and the fact that the name of 'Stark' had become practically a trademark in nursery matters, nevertheless deliberately and premeditatedly sought to draw to themselves the benefit and advantage of complainant's prestige and repute. Such a situation differs radically from one in which an infringement, although found to exist, is unaccompanied by a concious and willful purpose. In the latter case the demand for notice and warning is recognized as an appropriate and equitable condition to the right to exact what Judge Haight has characterized as a 'punitive addition to the ordinary decree of compensatory damages'." (Rec., p. 193.)

This case (Rossman v. Garnier, *supra*) is in so far as we have been able to find, the only one in the reports treating directly Section 28 about notice; but we contend that this case is of no real benefit to respondents' cause, as the infringer was innocent. We do feel, however, that it is a case in favor of petitioner, for the Court implied that had appellee had notice, constructive or actual, of the *infringement* an accounting would have followed.

We also contend that since the facts of the present case positively show that respondents were conscious and willful infringers and unfair traders from the very day in 1912 when their competing concern was started, from a purely equitable viewpoint the statute about constructive notice, which was enacted to protect innocent infringers, is immaterial in this case, and that petitioner should be allowed profits and damages from the beginning of respondents' infringement and unfair competition.

As was said by this Court in Hamilton-Brown Shoe Co. v. Wolf Bros. & Co. (36 Sup. Ct. Rep. 269):

> "In this country, it is generally held that in a proper case both damages and profits may be awarded."

It is merely conjectural on our part as to what the facts would have to be to constitute a "proper case," but, after a careful perusal of many cases of trademark infringement and unfair competition and finding none to compare with this case in point of premeditated and deliberate encroachment, we sincerely believe that the facts of this case justify us in contending that nowhere in the books can a single case be found, which even approaches as nearly as this a "proper case" in which both an accounting and damages from the beginning of the encroachment would equitably reimburse petitioner the financial loss sustained by reason of the respondents' systematic, deliberate and malicious infringement and unfair competition inseparably connected with the infringement.

As this Court said in Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., *supra*:

> "The infringer is required in equity to account for and yield up his gains to the true owner, upon a principal analogous to that which charges a trustee with the profits acquired by wrongful use of the property of the *cestui que trust.*"

Petitioner contends that, under the circumstances surounding this case, respondents should be compelled to account to petitioner all gains and profits which would probably only partially compensate petitioner the financial loss doubtless attributable to respondents' overwhelming infringement and unfair competition. It is no excuse if respondents complain that some of their business was secured by virtue of the intrinsic value of their trees, if we are to apply the reasoning on this question in Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., *supra*, where it is said:

> "The difficulty lies in ascertaining what proportion of the profit is due to the trade-mark, and what to the intrinsic value of the commodity; and as this cannot be ascertained with any reasonable certainty, it is more consonant with reason and justice that the owner of the trade-mark should have the whole profit than that he should be deprived of any part of it by the fraudulent act of the defendant. It is the same principle which is applicable to a confusion of goods. If one wrongfully mixes his own goods with those of another, so that they cannot be distinguished and separated, he shall lose the whole, for the reason that the fault is his; and it is but just that he should suffer the loss rather than an innocent party, who in no degree contributed to the wrong."

In this connection it is a significant fact that petitioner's mail order sales were $387,348 less the four years immediately after respondents' competition than the preceding four years (Rec., p. 50), in spite of the fact that during the like period petitioner's advertising expenditures were increased (Rec., p. 27).

When petitioner filed its bill it was of the impression that even an accounting of respondent's entire profits would not compensate it the loss of business and usual profits directly attributable to the terrific infringement and unfair competition of respondents, so in order to attempt to secure proper retribution in the event of a favorable finding asked for an accounting of profits and damages, and that damages be tripled, under Section 16 of the Trade-Mark Act of 1905, which reads:

> "That the registration of a trade-mark under the provisions of this act shall be prima facie evidence of ownership. Any person who shall, without the consent of the owner thereof, reproduce, counterfeit, copy, or colorably imitate any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof; and

> whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs."

Since it is believed that the only practical method yet developed of ascertaining damages in a trademark case is by an accounting of profits made by the infringer during the infringing period, petitioner has every reason to believe that an accounting of respondents' profits from even the inception of their business would be a great deal less than one-third of petitioner's loss of profits by virtue of petitioner's $387,340 loss of mail order sales. Under this assumption and "according to the circumstances of the case" (Sec. 16 *supra*), petitioner feels justified in asking for and expecting triple damages under the statute.

While if the Court of Appeals' interpretation of Section 28 and decree ordering profits and damages from the beginning of the suit prevail, petitioner would hardly receive sufficient money damages to pay even the one-third taxation of costs (which we feel is inequitable) assessed against petitioner as appellee in the Court of Appeals, as the record shows (p. 139) that respondents ceased using their infringing labels within a few months after suit was begun, although the trial court remarked in its supplemental memorandum upon settlement of decree (Rec., p. 194), that new evidence had been adduced showing that the address "Stark City" which was used in con-

nection with the trade-mark infringement and advertising, was "still being employed for the purpose of appropriating to the product of defendants (respondents) that advantage of origin peculiar to the Stark name, which has been found to be a property right of complainant (petitioner)", as late as February 26, 1918, some eighteen months after suit was instituted.

## IN CONCLUSION.

Petitioner respectfully submits that its name Stark Trees is a valid, registered trade-mark under the ten-year proviso of the Trade-Mark Act of 1905; that respondents not only knowingly and wilfully infringed this technical trade-mark from the very inception of their competing nursery, but so unfairly used the name Stark and Stark City in conjunction with the trade-mark infringement as to be guilty of unfair methods of competition which are inseparable from the infringement; that these many inseparable acts of unfair competition should be disposed of under the general equity rule of disposing of the whole matter; that Section 28 of the Trade-Mark Act of 1905, about constructive notice was not enacted to protect deliberate infringers and unfair traders such as respondents were unqualifedly agreed by the trial court and Court of Appeals to be, and therefore equity should demand that respondents be made to account to petitioner all gains and profits during the entire infringing period and triple damages under Section 16 of the Trade-Mark Act if petitioner is to be even partially compensated the loss it suffered by the single reason of respondents' wilful and premeditated infringement and unfair competition inextricably and inseparably related to the infringement.

Respectfully submitted,

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